

**Remarks by Assistant Secretary of State for Near Eastern Affairs David Welch
Update on the Israeli-Palestinian Peace Negotiations
Senate Foreign Relations Subcommittee on Near Eastern and South and Central Asian
Affairs
September 25, 2008**

Chairman Kerry, Senator Coleman and members of the subcommittee, thank you for giving me the opportunity to appear before you today to discuss our work to promote a just and durable peace between Israel and the Palestinians.

Since the Annapolis Conference in November 2007, the United States has focused its efforts along four tracks: supporting the bilateral Israeli-Palestinian negotiations; building the institutions of a Palestinian state; improving the conditions on the ground; and maintaining international and regional support for the negotiations. We have seen significant advances along each of these tracks, and these advances have created an environment in which substantial progress has been made, and will continue to be made, toward fulfilling the promise of Annapolis: two states, Israel and Palestine, living side by side in peace and security.

The fact that this environment exists is all the more dramatic given the volatility that wracked the region over much of the last eight years. After the Second Intifada exploded in 2000, ultimately costing thousands of Israeli and Palestinian lives, the prospects for peace negotiations retreated ever more remotely into the distance. The trust and mutual confidence required for meaningful negotiations dissolved, and the possibility of a brighter future for Israelis and Palestinians dimmed. Nascent reform within the Palestinian Authority (PA) in 2003, including the appointment of Mahmoud Abbas as Prime Minister, spurred hope in a positive dynamic, but this too collapsed when it was clear that power would remain centralized and decision making would remain opaque. The Palestinian presidential elections in January 2005 and the Israeli disengagement from Gaza later that year again provided some new opportunity. Yet the Hamas victory in the 2006 Palestinian legislative elections, followed by the war in Lebanon that summer, later dispelled this hope.

Throughout this difficult period, President Bush nonetheless upheld his goals of fostering the creation of a sovereign, democratic, Palestinian state and of ending the conflict. Even as political conditions further deteriorated in the ugly Hamas coup in Gaza in June 2007, we began to see the emergence of Israeli and Palestinian leaderships committed to peace through two states as the only feasible solution to the conflict. Recognizing the United States' unique relationship with the parties, President Bush seized the opportunity and called an international meeting to support the parties' efforts toward peace.

The Annapolis Conference in November 2007 was the first major Middle East peace conference since the Madrid Conference in 1991 and the only high-level, multi-lateral meeting of its kind ever to be held on American soil. Bringing together 50 countries from all continents, including fourteen leading Arab states, Annapolis launched the first substantive negotiations in nearly a decade to address the core aspects of the conflict. It laid a foundation for Israelis and Palestinians to work together, focused the international community's support, and defined a constructive U.S. role. The absence of public agreements or a flurry of press releases should not be mistaken for a lack of progress. Ongoing, high-level U.S. engagement on this issue is sustained not by false hope or an unrealistic assessment of the challenges but by our belief in the sincerity of the parties' commitment to the negotiations, by the recognition of the progress they have made, and by the genuine possibility of a break-through if the current negotiating structure remains in intact.

Since November, President Bush and Secretary Rice have provided intense personal support and focus to the parties' bold efforts. The President visited Israel in May to share in commemorating its independence day. During the visit, he held a series of meetings with the parties—not to interfere in the negotiations, which they rightly emphasize should remain bilateral, but to mark the progress they have made and to provide any U.S. assistance they requested. Secretary Rice has visited Israel and the Palestinian territories on 22 occasions, as recently as late August. In near-monthly trilateral meetings with the negotiators, she has helped the parties to consolidate the gains they have made in their bilateral discussions and provided encouragement as they continue on the often challenging course toward a final peace treaty. My own work to buttress the negotiations has taken me to Israel and the Palestinian territories over 40 times.

U.S. engagement has concentrated not on the provision of unilateral proposals but on promoting an atmosphere of consistency and stability within which the parties' bilateral negotiations can flourish. As recent events in Israel demonstrate, the political dynamics in the region are often fluid. However, there is no better indication of the value of the U.S. role than that, despite a temporary inward focus as Israel undergoes a political transition, we have seen no depreciation in Israel's interest in forging a lasting agreement with its Palestinian partners. The same is true on the Palestinian side, as President Abbas and the PA remain steadfast in their commitment to negotiations, even as rejectionist groups like Hamas continue their attempts to thwart a meaningful dialogue.

In addition to launching the bilateral negotiations, Annapolis was a significant step toward stimulating momentum for comprehensive peace throughout the region. Fourteen Arab countries sat with the Prime Minister, Foreign Minister, and Defense Minister of Israel and committed to pursuing a resolution to their long-standing conflict, building on Egypt and Jordan's previously historic steps. The Arab League continues to reiterate its support for a two-state solution through its promotion of the Arab League Initiative. Syria has since undertaken indirect talks with Israel,

facilitated by our ally Turkey. With the election of President Sleiman and the inauguration of the National Dialogue, stability is returning to Lebanon, and it is our hope that progress can be made in launching efforts to resolve the remaining issues between that country and Israel. While retaining our focus on the more mature bilateral Israeli-Palestinian negotiations, we should recognize these other complementary developments as an important indicator of the current regional dynamic and regional states' interest in a comprehensive peace.

The impact of U.S. diplomatic efforts has been magnified by the Quartet's role in marshalling the energies of the international community. The Quartet has provided a vital forum for coordinating external backing for the negotiations; guaranteeing that the international community abides by the principle of "do no harm" by supporting, rather than intervening in, the bilateral dialogue; and protecting the negotiations from destructive forces. The Quartet established principles for the international community's engagement with Palestinian officials: renunciation of violence, recognition of Israel, and acceptance of past agreements. Hamas brutality in Gaza since the 2007 coup, illustrated by its crackdown in recent months on those opposed to its illegitimate rule, underscore the importance of these principles. While we welcome the restoration of calm between Gaza and Israel, pursuing negotiations based on the Quartet principles remains the only path toward a long-term peace.

There are some improvements to conditions on the ground, which if expanded, will encourage further political progress. Palestinians who do not see an improvement in their daily lives will lose faith in the negotiations. Regional governments are increasingly concerned about Israel's settlement activity, which undermines confidence and is seen as prejudging the outcome of negotiations. Lt. Gen. William Fraser, and his successor, Maj. Gen. Selva, continue to monitor Roadmap implementation based on the U.S. mandate from the parties at Annapolis. While the parties have made some progress, albeit modest, in meeting their obligations under the Roadmap, they must redouble their efforts: Palestinians must dismantle the infrastructure of terrorism and promote an atmosphere of tolerance, and Israel must freeze settlement activity, including natural growth, and increase access and movement for Palestinians.

The international community also bears a responsibility to assist in improving conditions on the ground and in building a democratic Palestinian state. Led by the United States and the European Union, donors are providing direct budget support to the PA; ensuring that the basic needs of Palestinians are being met; funding high-impact projects to benefit Palestinians; and promoting efforts to link security, governance, and economic development. At the Paris Donors Conference, which followed Annapolis in December 2007, the U.S. pledged \$555 million in 2008 to include support for implementation of the Palestinian Reform and Development Plan (PRDP), which lays out the PA's plan for creating a viable and sustainable economy with secure revenue streams in the mid-to-long term. The United States has exceeded our pledged amounts. To date, with support from Congress, we have been able to make available \$150 million in the

form of a cash transfer for budget assistance to the PA and over \$157 million in contributions to United Nations Relief and Works Agency for Palestine Refugees (UNRWA), comprising \$57 million to UNRWA's Emergency Appeal for the West Bank and Gaza and over \$99 million to its General Fund for ongoing activities benefiting Palestinian refugees throughout the region. In fiscal year 2008, the U.S. also allocated \$239 million for project assistance. These funds are currently being obligated in the West Bank and Gaza by the U.S. Agency for International Development (USAID) for economic growth, democracy and governance, food assistance, education, health, water supply and budget support. An additional \$25 million in INCLE funds will support the development of Palestinian security services. Congress subsequently appropriated in the FY 2009 "bridge" another \$150 million in direct budget support to be provided in FY 2009 and an additional \$50 million for security support to the PA for FY 2009.

Under the government of Prime Minister Fayyad, the PA has undertaken substantial economic and fiscal reforms, which have been endorsed by both the World Bank and the International Monetary Fund. The PA has increased accountability and transparency and instituted a number of austerity measures to limit the growth of its budget, including by reducing the size of the public sector payroll, freezing wage increases, reducing utilities subsidies for citizens, and implementing tax administration reforms to increase tax revenue. The PA has instituted financial administrative reforms to track and manage donor funds and ensure that they do not end up in the hands of Hamas or other terrorist organizations. It has also established a single treasury account for all PA financing, eliminated all parallel financing mechanisms outside of this account, it developed a single comprehensive civil society roster and payroll.

Maintaining broad international backing for the PA is crucial in guaranteeing that it continues to develop as the governing body of the Palestinian territories. Regional partners bear a special responsibility in demonstrating their support for the Annapolis process in this regard. We have welcomed the recent large financial commitments from Saudi Arabia, U.A.E, Kuwait, and Algeria and hope that these actions will pave the way for other Arab states to follow their lead. Without additional budget support, the PA will be unable to operate at the budgeted levels reviewed by the international community. It faces an anticipated \$300 to \$400 million cash shortfall in calendar year 2008 and the reality of continuing budget shortfalls throughout 2009 and 2010, which prevent the PA from engaging in long-term planning and from investing in the Palestinian people.

The United States also continues to help the Palestinians build skilled, competent, and professional security forces that can establish rule of law in the West Bank and help the PA serve as a reliable security partner for Israel. Ensuring that the PA is able to maintain law and order throughout all of the areas it oversees and assume counter-terrorism responsibility from Israel is also a critical element in improving the daily life of civilians. The U.S. has spent \$86 million to train, equip, and garrison over 1,000 members of the National Security Forces and Presidential

Guard under the auspices of U.S. Security Coordinator Lt. Gen. Keith Dayton, and we have requested an additional \$25 million above the \$75 million noted earlier to continue this program. Just last week, another 500-man National Security Force special battalion crossed into Jordan to commence training. Ultimately, it is our plan to train a total of five special battalions for the West Bank and two for Gaza.

These trained forces are the cornerstone of a plan to couple improvements in law and order with economic development and criminal justice sector capacity building in targeted areas of the West Bank. The goal is to demonstrate the potential for real success in a future Palestinian state by creating the conditions for security and economic growth. The first tangible example of this strategy has been Jenin. Israel has shown a willingness to ease security restrictions in the Jenin governorate under the principle of “as the Palestinians do more, we will do less.” As a result, we have begun to see real progress on the security situation and in the economy. Unemployment in and around Jenin is down, trade between the Northern West Bank and Israel is up, and Israeli officials have publicly commented on the positive improvements in security in and around the city. We are focused on continuing the success of the Jenin Initiative by pushing for further economic development; an increased emphasis on criminal justice sector initiatives, including the training of judges and prosecutors and the construction of jails and courthouses; and a persistent law-and-order effort. The international community must underpin these endeavors by meeting the \$242 million pledged at the June 2008 Berlin Conference on Palestinian policing and the rule of law.

The Israeli-Palestinian conflict would not have endured for 60 years if the obstacles to peace were limited and the solutions easily reached. However, the framework for negotiating a final resolution of the conflict is before us: Determined, professional negotiations between the parties; consistent yet constructive international engagement, led by the United States; and a vigorous effort to improve conditions on the ground. This formula has resulted in several key advances: Israel and the Palestinians now express common aspirations; they underscore their commitment to reaching a comprehensive agreement on all issues, without exception, as agreed at Annapolis; they pledge to continue their bilateral, confidential, and continuous negotiations until this goal is achieved; and they both attest that the negotiating structure is effective and productive and that they intend to keep it in place.

President Bush’s vision of a Palestinian state at peace with Israel will not come in a single dramatic moment but as the result of a methodical, sincere initiative by the parties to conclude a lasting agreement that benefits both their people. The confidential nature of their work, and the United States’ respect for their request on this score, is indicative of the seriousness of the negotiations. These negotiations are not in the pursuit of glory but an authentic and resolute effort toward a comprehensive treaty, and though such an agreement will not be signed

tomorrow, the United States must stay the course to ensure that the foundation laid for peace results in a new future for the region.